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OPEC would like to reiterate to the distinguished delegates of the IMFC, the Organization's long-standing commitment to supporting **oil market stability**. This has been reflected in the ongoing efforts of OPEC Member Countries to ensure a secure and steady supply of oil.

The oil market has enjoyed a period of relative stability over the past 12 months. Indeed, **crude oil prices** so far this year have remained within the trading range of $70-85/b, reflecting much lower volatility compared to previous years. Prices have continued to fluctuate over this period, due to a variety of factors. Among these are mixed macroeconomic data, which has led to swings in market sentiment, the uneven pace of the recovery across the globe, and the wide range of uncertainty regarding world oil demand growth. Speculative activities in the crude futures markets have also been an important driver behind oil price fluctuations. Additionally, with the onset of the global economic crisis, oil price movements have been closely correlated with equities and, for most of the time, inversely correlated with the US$/euro exchange rate. This highlights the continuing impact of the wider financial markets on crude oil prices. At the same time, market fundamentals have remained soft, with crude and product inventories at very high levels, well above the five-year average.

The **world economic** recovery which took hold in the second half of 2009 has been achieved largely by unprecedented fiscal stimulus measures and coordinated monetary easing. This led to an improvement in sentiment reflected in a broad-based early recovery in equities, bonds and commodities, including oil. The recovery was particularly strong in the Emerging Markets in Asia, led by China and India, but also in Latin America, especially Brazil. Developing Asia is expected to be the major force behind global growth in 2010 and 2011, contributing the biggest single share of any region. However, there is increasing evidence that the global recovery may have peaked after the first quarter of 2010 and the growth momentum is expected to slow over the coming quarters in both OECD and Emerging Markets. As the various stimulus packages begin to fade, monetary policy, mainly in OECD countries, is expected to continue to provide support for some time to come to ensure the recovery becomes self-supporting before monetary tightening begins. However, the effectiveness of further monetary stimulus, including quantitative easing, is unclear.

In the OECD, with fiscal stimulus receding, US growth is held back by modest expectations of household spending, which remains constrained by high unemployment, the massive drop in housing wealth and tight credit conditions. In the Euro-zone, sovereign debt concerns have recently reemerged. However, the economic expansion in Germany has been stronger than expected due to the robust export performance. Although slightly improved, prospects for the region remain modest. Japanese growth has also lost momentum and is now expected to slow in the 2H10 due to the expected moderation in consumption and export growth.

Turning to the oil market, **world oil demand** is expected to grow by 1.0 mb/d in 2010, supported by higher than expected growth in the first half of the year on the back of the implementation of stimulus packages in key consuming regions. With the current round of government stimulus appearing to be winding down, demand growth in the second half is likely to move lower, highlighting the need for caution when forecasting oil demand growth for the remainder of the year. Indeed, the impact of slowing economic recovery on oil demand is already evident, as growth in oil consumption is easing in some parts of the world. This is true not only for OECD demand, but also for some non-OECD countries. Next year, the situation is not expected to improve considerably. In fact, world economic growth is projected to be lower than in the current year. Thus, continued slow growth in oil demand is expected in 2011 at around 1.0 mb/d, in line with the growth level of the current year. As in the current year, the bulk of oil demand growth in 2011 will take place in non-OECD, mainly China, India, the Middle East and Latin America. In addition to the pace of the economic recovery, other factors that might play an important role in next year's oil demand are retail oil product prices, as they are affected by taxes, and the removal of retail subsidies.

Non-OPEC supply improved in 2009, following the poor performance seen in the previous year, and is expected to experience much higher growth of 0.9 mb/d in 2010. During the first half of this year, non-OPEC supply growth reached 1.3 mb/d compared to the same period last year, but with the increase coming from both conventional crude as well as non-conventional oils. North American oil supply is expected to experience the largest increase among all non-OPEC regions in 2010, supported by anticipated growth in the US. Latin America oil production is next in terms of growth, with contributions from Brazil and Colombia. Supply increases in Russia, Azerbaijan and Kazakhstan are also expected to add to the healthy growth level, while OECD Western Europe output is expected to continue to decline. In 2011, non-OPEC supply is forecast to continue to grow by 0.4 mb/d, but at a reduced pace compared to the current year. Risks to the forecast remain, especially from Russia and the US as well as due to the uncertainty about the degree of the decline in mature regions.

For next year, the rise in world oil demand growth is expected to slightly outpace the growth in non-OPEC supply and OPEC NGLs. As a result, after three consecutive years of decline, the **demand for OPEC crude** is likely to increase by 0.2 mb/d in 2011.

So far this year, the strong increase in global supply has outpaced the slight rise in demand, leading to a further build in **OECD commercial inventories** to almost 2,800 mb, approaching the record of August 1998. This represents an overhang of around 144 mb and corresponds to 61.6 days of forward cover, around seven and a half days above the five-year average. Including floating storage, global excess supply currently stands at around 208 mb.

At the **International Energy Forum** meeting in Cancun, Mexico, held last March, there appeared to be a consensus among consuming and producing countries that crude oil prices around the current range were needed to promote adequate investment without hindering economic recovery. While prices have remained within the $70-85/b range, **downward pressure** on oil prices has been noticeable in light of the uncertain pace of the economic recovery as well as persistently weak oil market fundamentals. Given the current supply/demand outlook, the overhang in inventories is not expected to be reduced significantly in the coming quarters. At the same time, OPEC spare capacity has also increased to now stand at around 6 mb/d. In the downstream, product inventories remain high despite the start of refinery maintenance. This, along with excess refinery capacity, is likely to impact refinery margins and prevent product markets from pressuring crude oil prices. As always, OPEC continues to closely monitor market developments and stands ready to take the necessary decisions to support oil market stability.

Sharp swings in crude oil prices in 2008 and 2009, and the subsequent financial crisis, have created a broad consensus among governments to improve **oversight and regulation in the financial oil markets**. This process is ongoing and the Organization is following the developments with interest.

This year marks the **50^{th} Anniversary of OPEC**. The Organization's accomplishment over the last half century confirms its tireless efforts to fulfill its key objectives, including ensuring efficient and regular supplies of petroleum to consumers. The 50^{th} Anniversary celebrations have highlighted OPEC's role in 'Supporting Stability, Fuelling Prosperity'. In the years ahead, the Organization's policy decisions will continue to be aimed at creating harmony and stability in the international oil market for the benefit of the producers, the consumers, the investors and the global economy at large.